

**TUESDAY,
JULY 12, 1954**

meetings between statesmen leading the nine delegations

At Vienna itself, the Danube has reached an unprecedented height and has overflowed into the streets at one point.

Fresh floods are meanwhile reported from Hesse, in Central Germany, and Saxony, in Eastern Germany. An East German spokesman said a major disaster had been averted by the joint efforts of the Soviet occupation forces and

Economic News from Abroad

Thanks for the Indian Army will be built inside India in an effort to modernize its armed forces and make them independent of expensive supplies in the event of a blockade.

Western Europe's deficit in trade with North America dropped from nearly \$1,000,000 in 1950 to less than half this amount in 1951, due principally to increased exports of manufactured goods from Europe. Trade among continental countries also increased substantially. West Germany's exports primarily to Europe.

Japan's trade balance continued to deteriorate during the first half of 1951. Exports increased by 19 per cent to \$720m, but imports rose by 33 per cent to \$1,412m, and the import surplus was \$131m, more than in the first half of 1950, due mainly to the destruction of rice crops by floods and by an unusually cold summer which forced Japan to double wheat imports and to increase imports of rice by 63 per cent. Exports of cotton, rayon, and staple fibers reached a new level and accounted for 43 per cent of total exports.

The profits of United States airlines have been falling recently but the Civil Aeronautics Board has refused to allow a general rate increase, arguing that operating costs could be cut and even subsidies rendered superfluous by mergers of competing companies.

The financial house of R. Japhet and Company in the city of London has been purchased by the Charterhouse Industrial Investment Company following the death, in February, of Mr. Saemy Japhet, the founder of the firm.

A general relaxation of member banks' reserve requirements has been announced by the Federal Reserve Authority, adding some \$1,500m. to excess bank reserves and allowing a \$2,000m. expansion of bank credits over the coming months.

Wheat stocks of the four major exporting countries rose to 1,610m. tons in 1950/51 compared with 1,085m. tons in the previous year. Out of this 850m. tons were held in the U.S.A. and 550m. in Canada.

Wage Curbs Would Boost Real Earnings

By DAVID JARVIS

I have argued in previous articles that the wages of senior civil servants should be raised. It should be noted that the salaries of all senior officials and technicians need to go up in the same manner. Side by side with this, the wages of the must be raised. And this, I maintain, is in the interest of the workers.

Wages can be called over-high when a worker's earnings are greater than his output. For he cannot receive more than the goods that are available, however much paper money is thrust into his hand; whereas if wages are excessive, the system of distribution is thrown out of gear and production is held back. High prices cancel the advantage of high wages to the worker.

For it is probable that wages in Israel are among the highest in the world relative to output. Dr. A. G. Black, until recently Chief of the Palestine Agricultural Survey, has estimated that the average income of an Israeli agriculturalist is IL117 a month, or IL1,400 a year. The Report is dated September 1950.

Here is the comment made by the Economic Advisory Staff in

a study recently published on the workers' wages. "The average British industrial worker's wage is estimated, with all social increments, to equal IL330 a month (including however the employer's contribution to the Army Reserve Pay). A broadly similar excess of wage payments over real earnings" states the study, "prevails in steel, cement and other industries." The average British industrial worker earns half the Israeli baker's wage. "If," the Report states, "we were to assume Israeli bakery labour productivity to be equal to the average of the British in all manufacturing occupations, and that the two currencies would then be exchangeable in terms of their ability to buy labour services, the Israeli pound would have an exchange value (measured by Israeli bakery workers' wages) of IL1.10 to the pound sterling as today. The Israeli pound would also be IL1.800 to the dollar, instead of IL1.500 to the dollar."

Time Required

As to the possibilities of raising productivity, Mr. Oscar does not make his words. "It will be a remarkable achievement," he writes "if after the lapse of a number of years, Israel does attain the level of productivity which prevails today in British manufacturing industry. This would yield half the baker's wage today. It is not much to ask that, pending that rise in productivity, Israel's bakery workers should have their average wages to be reduced to the level of wages in Britain's industry."

The country's largest export industry is the subject of a special issue of "Economic News," published by the Ministry of Commerce and Industry. Produced in cooperation with the Ministry of Agriculture, the Citrus Marketing Board and the Investment Centre, "Citrus (1950)" is an indispensable and up-to-date handbook.

A great number of articles by leading experts, based on reliable statistical tables, photographs and a map, give an accurate picture of every important aspect of citrus culture in Israel. Its study endows one learns that the area of citrus groves has expanded from 32,000 dunams in 1922 to 229,000 in 1949, and that the losses caused by the Second World War and the War of Liberation have been gradually restored. The disruption of the export figures of 15.3m. cases in 1949/50, 3.8m. in 1948/49, and again 3.1m. in 1947/48.

All technical and financial problems, as well as the place of the industry in the national economy and in world production are competently dealt with.

Workers should have their wages reduced as above, saving 2.4 pruta a loaf.

(b) Merchants should be encouraged to do their own retailing. This and other listed economies in distribution would save 1.7 pruta.

(c) Manufacturers of bread should have their allowance for depreciation reduced by 2.4 pruta.

THURSDAY IS FRONTPAGE DAY.

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WEEK ON THE STOCK EXCHANGE

Tel Aviv Steady

ALTHOUGH turnover was generally kept at a low level, only in a few cases was there a slight loss in comparison with last week's quotations. In the instance of PALESTINE POTASH PREF. SHS, there was a six-point gain during the week. PALESTINE ELECTRIC CORP. SHS, REGISTERED AND JERUSALEM ELECTRIC CORP. SHS, recorded by five and seven points respectively. NESHET "B" DEBTS, by three, while other stocks and shares remained practically unchanged, though some fluctuations were evident during the week.

On the other hand, a rather lively business was handled outside the stock exchange in MILVICH ROVA, mentioned already in our last report. The demand, exceeding the offer brought prices some five points higher last week. It will be recalled that this security is dealt with includes two coupons of 4 per cent each, both due 1.7.54.

New York - New Peak

AFTER reaching a new high of 341.12, the Dow-Jones Average for 30 Industrials ended slightly off its peak, just to take a breath for another advance, which occurred when industrial and rail stocks lifted the market in the quarter-century high. Motor stocks took the lead, when reports were circulated about June automobile sales being the highest in four years. The volume of transactions exceeded 2,000,000 shares and Dow-Jones Index reached a new peak of 341.12, as against 332.84 of the new 34% Funding Stock advanced to 115.33 in comparison with 112.54 last week.

London Continues Firm

THE highlight of the London stock market during last week was the strength of the British Funds following Government's latest conversion of 1950/51 War Loan 3% into 4% Debts. The volume of transactions exceeded 2,000,000 shares and Dow-Jones Index reached a new peak of 341.12, as against 332.84 of the new 34% Funding Stock advanced to 115.33 in comparison with 112.54 last week.

Gold

Quiet conditions were reported in the London bullion market. Turnover was small and the price of gold was steady at \$35.95 per ounce, one penny higher for the week. In Paris trading was reduced and indecisive.

Notes: a) purchasing price; b) selling price; c) ex-coupon; d) coupon; e) pruta per one Dollar.

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THE JERUSALEM POST

Founded as The Palestine Post in 1922. Published daily except on Saturdays, in Jerusalem by The Palestine Post Limited, Registered at the G.P.O.

Founder and Editor
GERSHON AGNON

Editorial Office & Management:
Jerusalem, P.O.B. 112, Tel. 420 (4 lines)

Subscriptions:
Israel IL1.500 Foreign IL1.800 per year.

Published by:
The Palestine Post Limited, 112, Tel. 420 (4 lines)

TWO salient facts should dominate the discussion of the Development Budget proposals: the urgent need to speed up our economic growth and the consistency of our present standard of living with the real earning power of our labour and trade. Both facts mean that we must divert more human and material resources from current consumption and unproductive services, to investment in those productive projects that will help us in future to take a modest living in our own right.

DEVELOPMENT PRIORITIES

For the time being, however, in addition to the fact that we are still consuming part of the capital import in the year 1950/51 the gap in our foreign currency balance is approximately IL27m., i.e. more than IL40m. at a realistic rate of exchange, while total investment in 1950/51 has been estimated at about IL200m., of which perhaps four-fifths were financed by the Government Budget and by the Jewish Agency, leaving the current financial year, the excess of imports, foreign debts service, etc. over exports proceeds has been tentatively put at IL20m. while the level of domestic investments shows a downward trend.

Obviously, things must change, either by encouraging private savings and investments or by forcing the public to curtail consumption spending by means of higher taxes, abolishing higher food subsidies and similar means. In any case, the present level of wages and profits must not be sustained in the long run, for with the growing importance of exports, we are ever more driven to adopt a more realistic value of our currency to its external value in order to be able to stand foreign competition.

It is vital to maintain the same approach when discussing the Development Budget itself. The implementation of the most productive projects must first be assured, and a schedule of priorities drawn up according to the prospective ability of each to earn (or to save) foreign currency, to lower local costs of production, to provide permanent employment, to be of use in case of emergency and so on. Only after these essential needs have been covered can any allocations be considered to less productive though perhaps more popular purposes, such as urban housing, government offices, improvement of roads or afforestation. And remember, a dividing line must be drawn between items which still may lay claim to the titles of productivity and development and others which do not. This is also the only method which may enable us to pass judgment on additional taxes for while a very strong case can be built up for taxing consumption in order to aid the capital campaign for taxes which would hurt private savings in order to provide means for current consumption in disguise would be much less convincing.

El Al Forges Ahead

IN 1952, El Al's share in the airline passenger traffic of Israel was 60 per cent. El Al also accounted for 40 per cent of the cargo traffic and 44 per cent of the air mail traffic. It is shown in official statistical summaries.

The company's total flying hours rose from 10,200 in 1950 to 12,900, of which 90 per cent were paid for in 1951. Sixty-two per cent of the cargo and 65 per cent of the air mail carrying capacity was utilized. Both results were better than in previous years. Only six per cent of the flights were not performed according to schedule, compared with nine per cent in 1950 and 12 in 1951.

Altogether, 512 flights were performed during the year, and 1,500 passengers and 1,300 tons of freight.

Development Pattern Bears Examination

By Our Economic Correspondent

THE economic going on between the various government departments and the various authorities about the structure of the Development Budget has dealt mainly with the total sum up to IL200m. and its distribution between the various departments. When the issue comes up for debate in the Knesset, however, and it must be hoped that it will be soon, it will be necessary to do more than decide about allocations. The problems involved concern, on the one hand, the distribution of available funds between agriculture and industry and, on the other, the question as to what extent available funds should be earmarked for the fight against unemployment. On these points, the discussion is apt to move along familiar lines without settling anything. Other issues, however, require closer investigation but have so far been neglected by the House. They concern the pattern of agricultural development, the way in which the development of minerals is handled, the economic rate for a long time to come. Experts have more than once pressed the point that a revolution in our settlement policy if its overall purpose of our economic policy - to improve our trade balance - is not to be defeated, the discussion on these subjects must influence our economic rate for a long time to come. Experts have more than once pressed the point that a revolution in our settlement policy if its overall purpose of our economic policy - to improve our trade balance - is not to be defeated, the discussion on these subjects must influence our economic rate for a long time to come.

Company Report

Brewery Seeks Capital

THE new debenture issue of IL500,000 that is now being offered to shareholders by the "Palestine Brewery Ltd." is typical of the difficult conditions prevailing on the domestic capital market. The debentures, issued at a price of 102 per cent, are carrying eight per cent interest and are to be redeemed in six yearly instalments, starting in 1958. In addition, the holders shall be entitled to convert the debentures into ordinary shares at a price of IL150 for a share of IL1 nominal, the right to convert being exercisable during the three years commencing at the end of June 1955. On the other hand, the company's right to redeem the outstanding debentures at par is not to take effect prior to June 1, 1958.

Yet even at these terms, the issue failed so far to arouse any outstanding interest on the Tel Aviv Stock Exchange. It is regarded as fairly certain that many of the shareholders, who are abroad will not deem it worth while to exercise their rights (i.e. to increase their investments in Israel industry), and for the time being, the rights may be acquired by outsiders at a premium of about three per cent. As a matter of fact, the issue has been underwritten by a syndicate headed by the A.P.R. Investment Company.

It has long been evident that the "Palestine Brewery" will have to seek additional capital, since its financial position has become strained and dividends have not been paid for the past two years. During the 20 years of its existence, the company's operations have been very successful and its cautious financial policy allowed it to expand in several directions. In 1942, the company acquired over 50 per cent of the share capital of the Caeber Breweries Ltd. in Bat Yam, and completed the plant in the following year. In May 1947, it bought up the entire share capital of the Levant Brewery in Ramat Gan, converting it later to the production of malt beer. At the main plant in Rishon Le Zion, a modern bottling plant has been installed. The total capacity of the company and of its subsidiaries has reached 165,000 hl. of beer and 40,000 hl. of malt beer a year which is somewhat in excess of the local consumption at present and would also leave a margin for exports.

The growing difficulties in obtaining foreign currency for the import of malt have induced the company to establish a local malt which could use locally grown barley. This decision has been strongly supported by the Government in order to save dollars and to enable the manu-

Pattern Bears Examination

Neither should the resistance to this revolution be ignored. It looks more closely into economic planning and economic development. Another aspect which urgently calls for Parliamentary discussion is exploration for and development of mineral resources. In this field, too, the economic justification of certain long-range plans. This goes for the work of the Development Authority as well as for certain of the corporations. Reports of mismanagement at the potash works in Edom, for instance, should be discussed at the same time, and other projects about which only propaganda is usually heard, should also be taken up.

Water Planning

The position is similar as far as irrigation projects are concerned. Fears have again been voiced that water piped to the farmer's fields will in many cases be so expensive that he will either be unable to use it or will have to rely on heavy subsidy. Water projects in this country have until now been planned by the water engineer alone, and the farmer has not been consulted. Sometimes the economic problem was glossed over by proposing one water-measure for the entire country, meaning that the discussion of the water problem for choosing the crops in different regions would be eliminated. Now, Mr. Blass, who is mainly responsible for water development, has given up this plan, talking instead of an equalization fund which would mean the same in principle and only differ in implementation.

These problems are not issues for the future. The water projects now in the stages of planning and execution will determine prices for agricultural produce for years, perhaps for decades to come. It is high time for the economist to enter the field and to exert the influence of the economist. More over, since expenditure in this field has, to a large extent, been free of Parliamentary control, the Knesset will only

Company Report

Brewery Seeks Capital

facture of vitamin-rich by-products, which could also replace imported vitamins and be exported. The project was started in 1951 by a subsidiary company named "Lettie Nether Ltd." and the maltary commenced production in August 1953. Its cost, however, much exceeded the original estimates, owing to inflation, amounting to about IL1,45m. the whole of which has so far been advanced by the parent company.

Capital Expansion

In order to carry this burden, the "Palestine Brewery" doubled its capital by issuing IL250,000 of ordinary shares (which were sold at a premium amounting to IL140,000). It also obtained loans, secured by floating charges, to the amount of IL200,000, and increased its bank overdrafts to IL130,000. But the balance sheet for the end of 1953 still shows "sundry creditors and provisions" for IL12m. compared with IL400,000 at the end of 1952. The bulk of this sum consists of liabilities connected with the construction of the maltary.

This year the company has at last succeeded in obtaining the promise of a loan of IL100,000 to IL150,000 out of the Development Budget for the current financial year. The proceeds of the debenture issue are also to be used for consolidating outstanding liabilities, and for completing the capital investment programme according to the suggestions of the well-known French expert on the production of beer, Professor Henri Rouleau, who has recently investigated the plans of the company and submitted a report with some recommendations for improvements. The details are as follows:

| | 1953 | 1952 | 1951 | 1950 |
|-----------------------------------------------------|-------|------|------|------|
| Share capital | 500 | 255 | 255 | 71 |
| Reserve | 370 | 217 | 198 | 258 |
| Loans and Bank Advances | 342 | 305 | - | - |
| Sundry Creditors and Provisions | 1,200 | 402 | 251 | 182 |
| Fixed Assets | 14 | 30 | 35 | 33 |
| Subsidiaries | 1,604 | 854 | 311 | 124 |
| Stocks | 1,088 | 212 | 251 | 80 |
| Beer sold (with subsidiaries) - millions of litres. | 14.4 | 12.9 | 12.0 | 14.4 |

THE JERUSALEM POST